

DRAFT DIRECTIVE TRANSMITTAL

JOB TRAINING PARTNERSHIP ACT

Number: D97-20

Date: May 20, 1998

TO: SERVICE DELIVERY AREA ADMINISTRATORS

SUBJECT: USE OF FIRST-IN, FIRST-OUT (FIFO) ACCOUNTING METHOD

☒ **IMMEDIATE ACTION -** ☒ **FACSIMILE COPY TRANSMITTED** ☐ **DISTRIBUTED VIA INTERNET**
BRING THIS DRAFT TO THE ATTENTION OF THE APPROPRIATE STAFF *NUMBER OF PAGES (INCLUDING COVERSHEET): 4*

SUBJECT MATTER HIGHLIGHTS:

COMMENTS ARE DUE BY

6/2/98

Comment Instructions: Comments can be submitted through one of the following ways:

- 1) Web Site (<http://www.edd.cahwnet.gov/emptran.htm>);
- 2) Fax (Job Training Partnership Division, Attention: Jean Cole at (916/654-9586);
- 3) E-mail (JTPDLIB@EDD.CA.GOV) Include "draft comments" in the subject line; or
- 4) Mail (Job Training Partnership Division / P.O. Box 826880 / MIC 69 / Sacramento CA 94280-0001).

All comments received by the end of the comment period will be considered before the final directive is issued. However, we will not be able to individually respond to comments. Comments received after the specified due date will not be considered.

If you have any questions, contact Jean Cole at (916) 654-8284.

DRAFT DIRECTIVE

JOB TRAINING PARTNERSHIP ACT

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TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
JTPD PROGRAM OPERATORS
EDD JOB SERVICE OFFICE MANAGERS
JTPD STAFF

SUBJECT: USE OF FIRST-IN, FIRST-OUT (FIFO) ACCOUNTING METHOD

EXECUTIVE SUMMARY:

Purpose:

This Directive transmits the policy and procedures for allocating Job Training Partnership Act (JTPA) expenditures by program year.

Scope:

This Directive applies to Service Delivery Areas (SDA).

Effective Date:

This Directive is effective immediately.

REFERENCES:

- JTPA Sections 161(b)(1), 108(b)(4), and 315(c)
- Title 20 Code of Federal Regulations (CFR), Sections 627.200(a)(1), 627.435(c), 627.440(a), 627.445(c)(2), 627.455(d)(1), 631.14(g)
- Department of Labor (DOL) Training and Employment Guidance Letter (TEGL) 8-94, March 6, 1995
- DOL Technical Assistance and Training Series for JTPA Financial Management, 1995
- JTPA Directive D97-18, Funds Utilization for Title III Funds, March 24, 1998
- JTPA Directive D97-13, Funds Utilization for Title II funds, January 22, 1998
- JTPA Directive D96-21, Title III Cost Limitations, April 2, 1997
- JTPA Directive D95-26, Title II Cost Limitations, December 20, 1995

STATE-IMPOSED REQUIREMENTS:

This document contains state-imposed requirements that are printed in ***bold, italic*** type.

FILING INSTRUCTIONS:

Retain this Directive until further notice.

BACKGROUND:

Prior to the JTPA Amendments of 1992, the Governor ensured that the oldest funds were expended first. The SDAs were awarded contracts for one year incorporating funds that had been carried forward from prior years. The State policy released the oldest funds first, causing the oldest funds to be expended first. Year of appropriation was not an issue for SDAs. Since the Amendments, SDAs are responsible for recording expenditures by year of appropriation, meeting the cost limitations by year of appropriation and ensuring that first year funds are sufficiently expended to avoid recapture. Properly accounting for funds appropriated in different program years is complex and difficult.

The TEGL 8-94 transmits DOL policy regarding the use of prior year funds to support current year expenditures. Under strict accounting methods, as indicated in the TEGL, only funds from the same grant can be used to support expenditures of that grant, thus upholding the principle of benefits received. Section 161(b)(1) of the Act provides authority to expend appropriated funds for up to three years. The TEGL also indicates that successive program year appropriations may be expended concurrently for the operation of the program. It is permissible to expend current year funds to support and supplement prior year funded activities.

POLICY AND PROCEDURES:

Definitions:

The *FIFO* (for the purposes of this Directive) is the accounting method which expends the oldest funds first.

Funding period is the period of time when JTPA funds are available for expenditure. Unless a shorter period of time is specified in a Title III discretionary award, the JTPA funding period is the 3-year period specified in JTPA Section 161(b); the program year in which federal funds are obligated to the recipient, and the two succeeding program years. In addition to the Title III discretionary funds, the State incentive awards, the State Approved Local Training (SALT) and reallocated funds are available for less than three years. (Note: Directives D97-13, Funds Utilization for Title II Funds, January 22, 1998 and D97-18, Funds Utilization for Title III Funds, provide guidance regarding recapture and reallocation.)

Policy:

The State adopts the less restrictive DOL interpretation, as presented in TEGL 8-94, that permits current year funds support of prior year funds. For example, current year administrative funds may be expended in support of prior year training funds. Prior year supportive service funds may be expended to support participants whose training is paid for by current year funds.

Procedures:

If an SDA chooses to use the FIFO method, the following procedures must be followed.

When an allotment is received, SDAs must determine the maximum amount available for administrative costs and the minimum amount required for direct training. When determining the availability of funds, reallocated funds retain their original program year of award and will have a shorter period of availability than new funds allotted at the same time. Expenditures are applied to these cost categories by the oldest program year of funds available (first-in, first-out) until the limits are reached.

Expenditures that are not directly charged to a title and/or cost category must be allocated using an acceptable allocation method. The allocation must be made without regard to the limits established. After the allocation is determined, the expenses are charged to the title and oldest program year until the funds are exhausted with remaining expenditures applied to the next program year of funds available. Management must exercise diligent oversight of these expenditures. When administrative expenditures outpace program expenditure, adjustments may be necessary.

ACTION:

Bring this Directive to the attention of all affected staff.

INQUIRIES:

Please direct questions about this Directive to your Program Manager or Jean Cole, of the Policy Unit, at (916) 654-8284.

BILL BURKE
Assistant Deputy Director